

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3474 - SB 3365

February 12, 2010

SUMMARY OF BILL: Authorizes city and special school districts with boundaries contiguous with the city limits to specify by contract that funding transferred from the city to the local education agency (LEA) shall be used half for LEA operations and half for bond issue in relation to maintenance and construction at existing schools.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – LEAs may use up to one-half of their annual BEP local match for one-time bond issuance and recurring debt service and one-half of their annual BEP local match for instructional purposes. Money shifted from instructional purposes will be made up by a corresponding shift in funding to instructional purposes from other funding sources. The exact amount of one-half of the annual BEP local match and corresponding shift in other funding for instructional purposes for affected special and city schools is unknown but is expected to exceed an average of \$1,385,400 for special school districts annually.

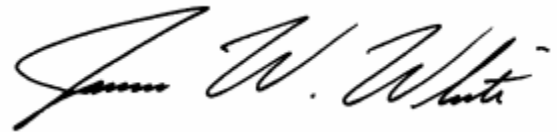
Assumptions:

- Local governments and LEAs may authorize this usage of local monies through a contract. Any increase in local expenditures will be permissive.
- According to the Department of Education, approximately \$133,000,000 is being transferred from local governments to 24 city or special school districts. DOE assumes that this money is being used for instructional purposes.
- One-half of the money (\$66,500,000) that is currently being used for instruction is transferred to bond maintenance. The average amount per LEA is approximately \$2,770,833 (\$66,500,000 / 24).

- LEAs will increase expenditures to maintain the current level of instructional funding. The average increase in permissive LEA expenditures is approximately \$2,770,833. LEAs may use an average of \$1,385,417 for bond issuance and debt service. LEAs may use an average of \$1,385,417 for instruction.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

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